

DRAFT NEGOTIATING FRAMEWORK DOCUMENT

Background: At the November 17, 1999 CALFED Policy Group Meeting, a status report was provided on near-term measures which are being pursued to help stabilize south of the Delta water supplies and avoid potential unanticipated fishery and water supply conflicts in Water Year 2000. The Policy Group concurred with "utilizing \$10M of the 'non-ecosystem' FY 2000 monies to initiate negotiations to secure near-term measures which will have immediate utility in Water Year 2000 and beyond." A preliminary list of such measures (hereafter referred to as 'ASSETS') has been compiled (see attached table). It is anticipated that other ASSETS will be identified.

Purpose of this Document: The purpose of this document is to provide recommendations for prioritizing, securing, and implementing the ASSETS. Specific recommendations are provided regarding: 1) prioritizing the ASSETS and identifying critical path actions; 2) establishing a negotiating team; 3) establishing milestones; 4) contracting mechanisms for securing ASSETS; 5) preparing environmental documentation; 6) achieving consistency with CALFED's "beneficiary pays" principle; and 7) reporting obligations to CALFED.

Prioritizing the ASSETS and Identifying Critical Path Actions: It is recommended that the ASSETS be pursued based on the priorities listed on the attached table. Priority is given to ASSETS which: 1) maximize operational flexibility with minimal financial costs; and 2) secure south of the Delta water supplies through either direct water purchases or purchasing multi-year options that could be exercised during CALFED's Stage 1A (2000-2003). Critical path actions which must be carried out immediately to secure the priority ASSETS include: 1) preparing a SWRCB application and environmental documentation for securing Joint Point of Diversion for February to mid-April 2000; and 2) initiating negotiations to secure south of the Delta water supplies and preparing environmental documentation for ASSETS 4, 5, and 6 (see attached table). Other ASSETS will be pursued concurrently with the schedule below on an as needed basis. Specifically, ASSET 2 (Increase Banks Pumping Plant) is being pursued by DWR; ASSET 3 will be addressed through the Operations Group process; and ASSETS 5 and 6 will be pursued, only if needed, in early 2000.

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Establishing a Negotiation Team: It is recommended that USBR and DWR convene a joint negotiating team consisting of the following individuals¹. USBR will have the lead responsibility for negotiating the agreements since the ASSETS will be funded with federal monies. However, it is recognized that close coordination with DWR will be critical.

USBR

Steve Hirsch, Negotiator
Kelly Kennedy, Support Staff
Jim Turner, Legal
Paul Fujitani, Operations

DWR

Curtis Creel, Support Staff
Larry Gage, Operations

It is critical that USBR and DWR management place a high priority for team members to participate in the negotiations. USBR will be responsible for making the necessary arrangements to initiate the negotiations, including contacting both negotiating team members (once confirmed by USBR and DWR) and negotiating parties. An initial meeting was held at ACWA on December 1 from 1:00 - 1:30 with representatives from both Kern County Interests and Vidler Water Company. At the meeting, Lester Snow and Steve Macaulay: 1) confirmed the availability of funding; 2) described the type of arrangement desired; and 3) described the proposed schedule for the negotiations.

¹ Negotiation Team recommendations are preliminary and need to be confirmed. DWR staff are listed based on an initial conversation with Curtis Creel.

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Establishing Milestones:

USBR/DWR Reach Consensus on Priority ASSETS	Late-Nov
Briefing w/ ASSET Owners	Dec 1 @ ACWA
Initiate Negotiations to Purchase South of Delta Water Supplies ²	Mid-Dec
Conclude Negotiations to Purchase South of Delta Water Supplies	Early-Jan
Prepare Environmental Documents ³	Mid-Dec to
	Mid-Mar
Secure Near-Term Measure	Mid-Mar ⁴

Contracting Mechanism for Securing ASSETS: The ASSETS will be funded with federal monies provided to USBR. Accordingly, an agreement between USBR and the ASSET owner will be prepared by USBR and will serve as the contract mechanism to secure the ASSETS.

Preparing Environmental Documentation: USBR will prepare all necessary environmental documentation to facilitate implementation of ASSETS 1,4,5, and 6⁵. It is anticipated that a Negative Declaration and an Environmental Assessment will be prepared pursuant to CEQA, if applicable, and NEPA respectively. USBR will serve as NEPA Lead Agency and the ASSET owner would serve as CEQA Lead Agency. Consistent with last year, a joint USBR/DWR review and technical team will guide development of the environmental documents. In addition, representatives from the resource agencies will be included on the review team as warranted. USBR will hire contractors to prepare these documents using a portion of the \$10M. A public meeting will be held to receive comments on the environmental documentation and any proposed agreements between USBR and ASSET owners.

Achieving Consistency with CALFED's "Beneficiary Pays" Principle: It is anticipated that the a portion of the initial \$10M of "non-ecosystem" will be used to secure options that will ensure necessary ASSETS are in place during CALFED's Stage 1A and available to a number of beneficiaries under CALFED's "beneficiary pays" principle. Priority would be given to non-ecosystem uses since these funds were used to acquire the option. These beneficiaries, based on priorities include: 1) CVP south of the Delta agricultural water users who have CVP allocations of ???% or less; 2) CVP south of the Delta urban water users who have CVP allocations of ???% or less; and 3) environmental uses. Such beneficiaries would have the right to exercise the options with their own monies. It is recognized that the ASSETS could be also be acquired using other monies including 3/2000 Bond monies.

² Negotiations will be initiated by transmitting a request to submit an initial offer to the ASSET owners on December 10, 1999. This action will be followed by face-to-face meetings.

³ The environmental documentation will address measures 4, 5, and 6 on the attached table.

⁴ Note that securing Joint Point of Diversion for February-Mid-April 2000 would not require negotiations and is scheduled to be secured by mid-January 2000.

⁵ The environmental document for ASSET 1 will precede the environmental document for ASSETS 4, 5, and 6.

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Reporting Requirements: At the November 17, 1999 Policy Group meeting, formal concurrence was provided to expend the \$10M. However, a commitment was made to report progress on developing the ASSETS to CALFED's recently-convened Operations Management Team. It is also envisioned that progress will be reported to the Policy Group as warranted.

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PRIORITY	PARTICIPANT	TYPE OF MEASURE	AMOUNT OF WATER ⁶	COST/AF ⁷	TOTAL COST
1	US Bureau of Reclamation	Joint Point of Diversion	150,000-200,000 AF ⁸	\$15/AF	\$3,000,000 ⁹
2	Department of Water Resources	Increase Banks PP (500 cfs)	70,000 - 90,000 AF	?/AF	Minimal
3	Ops Group	Flexing the E/I Ratio	?	?/AF	Minimal
	Subtotal		Up to 320,000 AF	\$1.5/AF	>\$345,000
4	Vidler Water Company, Inc.	Water Acquisition	6,300 AF	\$270/AF	\$1,701,000
4	Kern County Interests	Banked GW Purchase	100,000 AF ¹⁰	\$220/AF	\$22,000,000
	Subtotal		106,300 AF	\$220-\$270/AF	\$23,701,000
5	Vidler Water Company, Inc.	Lease of GW Storage Space	48,600 AF ¹¹	\$186/AF ¹²	\$9,039,600 ¹³
	Subtotal		48,600 AF	\$186/AF	\$9,039,600
6	Metropolitan Water District of Southern California	Source Shifting	60,000 AF	\$75/AF	\$4,500,000
6	Kern County Interests	Source Shifting	50,000 - 90,000 AF ¹⁴	\$75/AF ¹⁵	\$8,100,000
	Subtotal		Up to 150,000 AF	\$75/AF	\$12,600,000

⁶ Actual water supplies available under these measures would be affected by hydrologic conditions and regulatory decisions, including DOI's (b)(2) Plan.

⁷ All of these values are preliminary, subject to negotiation, and dependent upon hydrologic conditions.

⁸ JPOD is for February - Mid-April 2000. The projected acre-foot amount needs to be confirmed.

⁹ These monies would be assessed to CVP O&M and not the \$10M of non-ecosystem monies.

¹⁰ The actual amount that could be made available in any single year would be dependent upon the amount of money paid up-front.

¹¹ Assumes storing: 300 AF in January; 9,400 AF in February; 18,400 AF in March; and 20,500 AF in April, 2000. This amount could be less due to Vidler's ability to both utilize other Semitropic partners put capacity and provide in-lieu surface water supplies to farmers.

¹² Lease price would be \$36/yr/AF of stored water. Recovery capacity would be a minimum of 25% of the total storage space leased. Energy expenses to recover water are \$50/AF. In addition, Semitropic WD charges a \$100/AF cycle fee.

¹³ Cost does not include purchasing or wheeling water to Semitropic.

¹⁴ Two options are available for reoperation (1) shift deliveries that would normally be made in July and August to the September through December period; and (2) pump groundwater that would be replaced over the next five years with Section 215 Friant water supplies. The amount of April to August 2000 demand that could be shifted to after August depends upon the SWP allocations. At about a 50% allocation, there probably is little, if any ability to shift demands. At a full allocation, about 50,000 - 90,000 AF could be shifted. The cost would be about \$75-90/AF.

¹⁵ Price would be \$75/AF if the water is repaid this year. Price does not include the cost associated with acquiring and conveying payback water.

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